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ORIGINAL

October 2, 1998

RECEIVED

DOCKET FILE COPY ORIGINAL

Federal Communications Commission Office of Secretary

Ms. Margalie Roman Salas, Secretary Federal Communications Commission 1919 M Street, NW, Room 222 Washington, DC 20554

Re:

GTE Corporation and Bell Atlantic Corporation Application

for Commission Consent to Transfer of Control

1 98-184

Dear Madam Secretary:

Enclosed for filing are an original and one copy of the applications of GTE Corporation ("GTE") and Bell Atlantic Corporation ("Bell Atlantic") for Commission consent to the transfer of control of licenses and authorizations held by GTE subsidiaries and affiliates to Bell Atlantic in connection with the merger of GTE and Bell Atlantic.

The application package consists of three volumes: Volume I, which contains the cover application, the public interest statement, and other exhibits of general applicability; Volume II, which contains 21 individual application forms; and Volume III, which contains certified articles of incorporation for GTE companies that hold microwave licenses as required by Form 704 filings.

All or portions of the application package are being delivered to members of the Commission's staff in accordance with their directions.

The filing fees associated with the applications have been submitted electronically. For each application requiring a filing fee, a Form 159 is enclosed containing information on the electronic fee audit code.

Pursuant to discussions with the Commission's staff, we confirm that the Commission has granted a waiver of the requirement that two copies of the application on Form 704 regarding Multipoint Distribution Service licenses be submitted for each call sign involved. In addition, we confirm that the Commission has waived the requirement that the Part 22 applications be submitted with microfiche copies.

Please stamp the enclosed duplicate copy as received and return to the messenger for our records.

Ms. Margalie Roman Salas, Secretary October 2, 1998 Page 2

Should any questions arise concerning this submission, please contact either Don Evans at 202-336-7911 or Alan Ciamporcero at 202-463-5290.

Respectfully submitted,

G. R. Evans Del

Vice President - Federal Regulatory Affairs

Bell Atlantic Government Relations

Alan F. Ciamporcero

Vice President -- Regulatory

GTE Service Corporation

ORIGINAL

Before The FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

OCT - 2 1998

Federal Communications Commission
Office of Secretary

In the Matter of	DOCKET FILE COPY ORIGINAL
GTE CORPORATION,)
Transferor,) File No.
and)
BELL ATLANTIC CORPORATION,)
Transferee,)
For Consent to Transfer of Control.))

APPLICATION FOR TRANSFER OF CONTROL

William P. Barr Executive Vice President - Government and Regulatory Advocacy and General Counsel GTE CORPORATION One Stamford Forum Stamford, Connecticut 06904

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Dated: October 2, 1998

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	Declaration of Jeffrey C. Kissell
	Declaration of Debra R. Covey
	Declaration of John T. Curran

	Declaration of Doreen Toben
	Declaration of Hubert R. Stallard
	Declaration of Daniel J. Whelan
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ou.	Tab 9	Application for Transfer of Control of Part 25 Authorizations (Earth Stations) (GTE Government Systems Corporation)
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Volume III CERTIFIED ARTICLES OF INCORPORATION For Certain GTE Licensees

Before The FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of)		
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GTE CORPORATION,)		
)		
Transferor,)		
)	File No.	
and)		
)		
BELL ATLANTIC CORPORATION,)		
)		
Transferee,)		
)		
For Consent to Transfer of Control.)		

APPLICATION FOR TRANSFER OF CONTROL

GTE Corporation ("GTE") and Bell Atlantic Corporation ("Bell Atlantic"), pursuant to Sections 214 and 310(d) of the Communications Act of 1934, as amended, hereby request the Commission's consent to transfer control of GTE's Section 214 authorizations and its interests in various radio station authorizations to Bell Atlantic.

GTE and Bell Atlantic have entered into an agreement to merge the companies and combine their operations. As described in the attached public interest statement (Exhibit A), the merger will strengthen the ability of the companies to provide high-quality service and enable them to compete more effectively in both domestic and international telecommunications markets, all of which will benefit subscribers and the public. This document provides an overview of the transaction, identifies the applications that are today being filed with the Commission, seeks a declaration of common ownership under Section 212 of the Act, requests

that all pending and after-filed applications be considered part of the transaction for which approval is being sought, and requests exemptions as necessary from any applicable cut-off rules.

The individual transfer of control applications (Section 214 submissions and applications on FCC Forms 312, 327, 415, 490, 703 and 704) concerning each of the various authorizations controlled by GTE are being concurrently submitted with this application to the office of the Secretary. The filing fees were transmitted electronically to Mellon Bank. The electronic audit codes are shown on the accompanying forms 159. The individual applications are listed on pages 4-5.

I. DESCRIPTION OF TRANSACTION

On July 28, 1998, GTE and Bell Atlantic announced an Agreement and Plan of Merger under which GTE will become a wholly-owned subsidiary of Bell Atlantic. A copy of the Agreement and Plan of Merger is attached as Exhibit B.¹

Under the terms of the Agreement, a wholly-owned subsidiary of Bell Atlantic will merge into GTE. GTE will be the surviving corporation, thereby becoming a wholly-owned subsidiary of Bell Atlantic. GTE's shareholders will receive 1.22 newly issued shares in Bell Atlantic for each GTE share owned. Following the merger, approximately 57 percent of the shares of Bell Atlantic will be held by the current shareholders of Bell Atlantic, and approximately 43 percent of the shares of Bell Atlantic will be held by the current shareholders of GTE. The board of directors of Bell Atlantic will be made up of an equal number of members from Bell Atlantic's board, on the one hand, and GTE's board on the other hand.

Also attached to this document are the consolidated statements of operations and consolidated balance sheets of Bell Atlantic as of December 31, 1997 (Exhibit C); Bell Atlantic's Form 430 (Exhibit D); a certified copy of Bell Atlantic's Articles of Incorporation (Exhibit E); and a draft protective order (Exhibit F).

GTE will survive as a wholly-owned subsidiary of Bell Atlantic, and the GTE subsidiaries that hold Section 214 authorizations and/or radio licenses will survive as wholly-owned subsidiaries of GTE. The merger does not involve any assignment of GTE's authorizations and licenses, or any change in the licensees that hold such authorizations and licenses, and the same companies will continue to provide service to the public. The only change in ownership will occur at the holding company level. The wholly-owned subsidiaries of Bell Atlantic that hold Section 214 authorizations and/or radio licenses will continue to be wholly-owned by Bell Atlantic. The merger does not involve a change in the control of these companies, which will continue to provide service to the public.

The parties intend to consummate the merger as promptly as possible after the necessary FCC and other federal and state regulatory approvals have been received and certain other preconditions have been met.

II. DESCRIPTION OF APPLICANTS

GTE is a global communications and media company that provides a range of services in the United States and select countries around the world. The company provides local telephone service in 28 states and provides wireless services, nationwide long-distance services, Internet services, as well as video services in selected markets. GTE also has significant investments in communications and information services businesses in Canada, the Dominican Republic, Venezuela, Argentina, Micronesia and China. GTE is also engaged in financing, insurance, leasing and other related activities.

Bell Atlantic is a global communications and media company that provides a range of services in the mid-Atlantic and northeastern United States and select countries around the world. The company provides local telephone service in 13 states and the District of Columbia, and

provides wireless services, Internet services and video services in selected markets. Bell Atlantic also has significant investments in communications and information services businesses in New Zealand, Mexico, Italy, Indonesia, Thailand, the Philippines, United Kingdom, Greece, Slovakia and the Czech Republic. Bell Atlantic is also engaged in financing, systems integration services, customer premises equipment distribution and telecommunications consulting.

III. APPLICATIONS BEING FILED

The Applicants are filing with the Commission a total of 21 applications requesting consent to the transfer of control to Bell Atlantic of licenses and authorizations controlled or requested by GTE or its subsidiaries. These include GTE's existing and requested Section 214 authorizations and its Title III radio station authorizations as follows:

- -- Part 5 Experimental Radio Service (FCC Form 703)
- -- Part 21 Multipoint Distribution Service (FCC Form 704)
- -- Part 22 Cellular, Paging/Radiotelephone, Rural Radio and Air-Ground (FCC Form 490)
- -- Part 24 Personal Communications Service (Form 490)
- -- Part 25 Earth Stations (FCC Form 312)
- -- Part 78 CTRS (FCC Form 327)
- -- Part 90 Telephone Maintenance and Business Radio (FCC Form 703)
- -- Part 101 Microwave (Forms 415 and 704)
- -- Section 214 Authorizations and Cable Landing Licenses

In four markets which they serve (Greenville, SC - MSA #67; El Paso, TX - MSA #81; Anderson, SC - MSA # 227; Las Cruces, NM - MSA # 285), GTE and Bell Atlantic currently hold interests in the cellular licensees for both channel blocks in overlapping service areas.

Because Section 22.942 of the Commission's rules, 47 C.F.R. § 22.942, prohibits ownership of

both cellular licenses in an overlapping service area, either Bell Atlantic or GTE will divest its interest in each of these four markets at or prior to closing. At this time, however, it has not been determined which interest in each market will be divested. Bell Atlantic and GTE therefore commit that, prior to closing, either the A-side or the B-side interest in each of the four overlapping service areas will be divested in full. The transaction thus complies with Section 22.942.

In eight PCS MTA markets which they serve (Miami and Tampa, FL; San Antonio and Houston, TX; New Orleans, LA; Richmond, VA; Chicago, IL; and Honolulu, HI), GTE and Bell Atlantic hold attributable interests in broadband PCS and cellular spectrum with significant geographic overlap that, when combined, will total more than the current spectrum cap in section 20.6 of the Commission's rules, 47 C.F.R. § 20.6. In these markets, Bell Atlantic and GTE will either divest sufficient interests in the licensed spectrum to comply with the CMRS spectrum cap in effect at the time of closing or obtain a waiver.

In connection with the merger, GTE will also transfer its minority, non-controlling interests in certain licenses to Bell Atlantic where Bell Atlantic already has a controlling interest. These transfers are <u>pro forma</u> and do not require GTE to file an application for approval of the Commission. Federal Communications Bar Association's Petition for Forbearance from Section 310(d) of the Communications Act Regarding Non-Substantial Assignments of Wireless Licenses and Transfers of Control Involving Telecommunications Carriers, 13 FCC Rcd 6293 (1998). In accordance with the Commission's rules, GTE will notify the Commission within 30 days after these <u>pro forma</u> transfers are consummated. 47 C.F.R. §§ 22.137(a)(1), 24.439(a)(3), 24.839(a)(1).

IV. PUBLIC INTEREST SHOWING

Grant of these applications will serve the public interest, as demonstrated in the statement attached as Exhibit A. The merger of Bell Atlantic and GTE is strongly in the public interest because it will promote vigorous competition in telecommunications markets across the country and make possible exciting new services and other benefits for consumers nationwide by dramatically breaking down the geographic and product-line divisions that historically have limited full-scale competition. This merger will advance on a truly national scale the procompetitive policies that Congress laid down in the Telecommunications Act of 1996.

First, this merger will enable the combined company to attack the local markets of other Bell companies on a widespread and effective bases. With its local telephone companies dispersed throughout the areas served by the other Bell companies, GTE is the "enabler" that will allow the combined company to attack other Bell company strongholds across the country. Second, the merger will also add an important new competitor to the top tier of national providers that can offer consumers a full bundle of advanced telecommunications services in all major markets--providers that include MCI/WorldCom/MFS/UUNet, AT&T/TCI/Teleport, and Sprint/Deutsche Telekom/France Telecom. Third, the merger will greatly enhance the competitiveness of GTE's Internet backbone and data services, and by doing so will promote healthy competition in these critical markets. Fourth, the merger also will increase competition in the general long distance market by speeding up the deployment of a national long distance network to compete with the Big Three facilities-based providers. Finally, the merger will combine the comapnies' complementary wireless and international assets to enable the new company to offer a broader range of services more efficiently to more customers. All in all, the combination of Bell Atlantic and GTE services promises to unleash a new generation of

competition and choice for consumers throughout the telecommunications arena and to fulfill the pro-competitive vision embodied in the Telecommunications Act of 1996.

V. APPLICATION FOR FINDING OF COMMON OWNERSHIP

Pursuant to Section 212 of the Act, 47 U.S.C. § 212, and Section 62.12 of the Commission's Rules, 47 C.F.R. § 62.12, the Applicants request that the Commission find and declare that, upon consummation of the transactions contemplated by the Agreement, (1) Bell Atlantic will own more than 50% of the voting stock of GTE, and (2) Bell Atlantic, GTE and their respective subsidiaries will therefore be deemed to be "commonly owned carriers" as that term is defined in Section 62.2 of the Commission's Rules, 47 C.F.R. § 62.2. As described in Section II, above, the merger contemplates that, as a result of the combination of the companies, Bell Atlantic will hold all of the stock of GTE Corporation. This satisfies the requirement of Section 62.12 that the Applicants be commonly owned as a result of the transaction.

VI. REQUEST FOR APPROVAL OF ADDITIONAL AUTHORIZATIONS

As set forth in each of the transfer of control applications, GTE controls entities which hold numerous Commission licenses and other authorizations.

While the applications are intended to list all such authorizations, the licensees involved in this proposed transaction may now have on file, and may hereafter file, additional requests for authorizations for new or modified facilities which may be granted during the pendency of the transfer of control applications. Accordingly, it is requested that the grant of the transfer of control applications include authority for Bell Atlantic to acquire control of (1) any authorization issued to GTE's subsidiaries during the Commission's consideration of the transfer of control applications and the period required for consummation of the transaction following approval; (2) construction permits held by such licensees that mature into licensees after closing; and (3)

applications which are filed after the date of these applications and that are pending at the time of consummation. Such action would be consistent with prior decisions of the Commission. See NYNEX and Bell Atlantic Transfer, 12 FCC Rcd 19985, 20097 (1997) ("Bell-Atlantic-NYNEX"); Craig O. McCaw and AT&T Transfer, 9 FCC Rcd. 5836, 5909, n.300 (1994) ("McCaw Order").

VII. REQUEST FOR EXEMPTION FROM CUT-OFF RULES

Pursuant to Sections 21.23(c)(6), 22.123(a), 24.823(g)(3) and 25.116(b)(3) of the Commission's Rules, 47 C.F.R. §§ 21.23, 22.123, 24.823 and 25.116, the Applicants request a blanket exemption from any applicable cut-off rules in cases where GTE's subsidiaries file amendments to pending applications to reflect the consummation of the proposed transfer of control. This exemption is requested so that amendments to pending applications to report the change in ultimate ownership of GTE subsidiaries which are parties to these applications would not be treated as major amendments. The scope of the transaction between GTE and Bell Atlantic demonstrates that the ownership change which would be reported would not be made for the acquisition of any particular pending application, but is part of a larger merger undertaken for an independent and legitimate business purpose. Grant of such application would be consistent with previous Commission decisions routinely granting a blanket exemption in cases involving similar transactions. See, e.g., Bell Atlantic-NYNEX at 20092, McCaw Order at 5909, Centel Corporation, 8 FCC Rcd 1829, 1833 (1993); Airsignal International Inc., 81 FCC 2d 472, 476 (1980).

VIII. UNCONSTRUCTED FACILITIES

Nearly all of the FCC authorizations covered by the applications involve constructed facilities. However, certain facilities in the Point-to-Point Microwave Service and the Personal Communications Service are authorized but not yet constructed. The transfer of control of these unbuilt facilities does not implicate any of the Commission's anti-trafficking or unjust enrichment rules.

Microwave. The Commission's anti-trafficking rule for Part 21 permits, 47 C.F.R. § 21.39, is not implicated, because the transfer of these unconstructed facilities is incidental to the larger transaction involving the transfer of control of an ongoing, operating business, and involves a stock-for-stock exchange based upon the valuation of GTE as a whole.

PCS. The PCS authorizations in which GTE holds an interest were obtained through competitive bidding within the last three years. As required by Section 1.2111(a) of the Commission's Rules, a copy of the merger agreement is being filed, 47 C.F.R. § 1.2111(a). As noted above, the transaction involves a stock-for-stock exchange. The unjust enrichment provisions of the Commission's auction rules, 47 C.F.R. § 1.2111(b), (c) and (d), do not apply because the PCS authorizations were not obtained pursuant to set-asides or bidding credits for designated entities. The anti-trafficking rule for PCS authorizations, 47 C.F.R. § 24.839(c), does not apply because the PCS authorizations were not issued for frequency blocks C or F.

IX. FINANCIAL QUALIFICATIONS

The applications seek approval for the combination of Bell Atlantic and GTE through a stock-for-stock merger, in which GTE shareholders will receive shares of Bell Atlantic stock in exchange for their shares of GTE stock (see discussion <u>infra</u> at Section II). No capital will thus need to be raised internally or from outside sources in order to complete the merger. In addition,

as demonstrated by the consolidated statements of operations and consolidated balance sheets of Bell Atlantic as of December 31, 1997 (attached hereto as Exhibit C), Bell Atlantic possesses the requisite financial qualifications to control the authorizations covered by these applications and to operate the systems and facilities covered by these authorizations in the public interest.

CONCLUSION

For the above reasons, and for the reasons set forth in the individual applications filed herewith, the proposed transaction complies with all applicable Commission rules, and will serve the public interest. Bell Atlantic and GTE accordingly urge the Commission to act promptly to grant these applications.

Respectfully submitted,

GTE CORPORATION

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BELL ATLANTIC CORPORATION

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October 2, 1998

PUBLIC INTEREST STATEMENT

INTRODUCTION

The merger of Bell Atlantic Corporation and GTE Corporation is strongly in the public interest because it will promote vigorous competition in telecommunications markets across the country, and make possible genuinely new services and other benefits for consumers nationwide. By dramatically breaking down the geographic and product-line divisions that historically have limited full-scale competition, this merger will advance on a truly national scale the procompetitive policies that Congress laid down in the Telecom Act of 1996.

Local service. First, this merger will finally enable one of the Bell companies to attack the local markets of the other Bells on a widespread and effective basis.

The Commission has concluded in recent orders that the Bell companies themselves may be among the most significant potential competitors to each other in major metropolitan markets where their geographic regions are contiguous. However, Bell Atlantic today is not a significant potential competitor to any of the other Bell companies; its service areas are geographically separated from the major service areas of the other Bells and it lacks the presence that it needs effectively to enter and compete in the key urban markets of the other Bells' regions. The merger with GTE will instantly erase that limitation.

With its local telephone facilities broadly dispersed throughout the United States, GTE is the "enabler" that will allow Bell Atlantic to attack other Bell company strongholds across the country. One glance at a map of GTE's service territories verifies this fact. GTE shares an MSA or serves neighboring suburbs in several of the most attractive Bell markets outside Bell Atlantic's region, including Los Angeles, San Francisco, San Diego, Dallas-Fort Worth, Houston,

Chicago, Cleveland, Indianapolis, Detroit, Miami, Orlando, Jacksonville, Seattle, Portland and others. See Service Territories Map, attached as Exhibit 1.

The new company created by the merger of Bell Atlantic and GTE will have a far greater ability to enter and compete quickly and effectively against the incumbent Bell company in these key markets outside the Bell Atlantic region than GTE would have on its own. Moreover, these substantial pro-competitive benefits will far outweigh any minimal loss in potential competition inside the Bell Atlantic region, where the existing local service areas of the two companies do not overlap and where neither company is a significant potential competitor to the other. Indeed, this merger presents the best possible combination of a Bell company and GTE and one of the best possible vehicles for achieving local competition under the 1996 Act.

Rundled services. Second, from a broader perspective, the merger will add an important new competitor to the top tier of national providers that can offer consumers a full bundle of advanced telecommunications services in all major markets. The ability to offer such bundled services on a national basis will be critical for broad penetration of the local market. With consolidation occurring among telecommunications providers, there is emerging today a small set of players able to roll out national bundled offerings — MCI/WorldCom/MFS/UUNet, AT&T/TCI/Teleport, Sprint/Deutsche Telekom/France Telecom. These new national firms, and others, will soon do battle with each other from the Atlantic to the Pacific and internationally. The merger of Bell Atlantic and GTE will bring into existence a fourth new competitor with the necessary scale and scope to participate in this emerging national market for bundled services. The new company will have a national customer base, the full array of competitive offerings in key markets across the country, and the ability to create a national brand to rival AT&T's or MCI WorldCom's.

Internet and data services. Third, the merger will greatly enhance the competitive strength of GTE's Internet backbone and data services and by doing so will promote healthy competition in these critical markets. GTE Internetworking (formerly BBN) is currently a distant fourth to the most significant providers of Internet backbone services, behind the much larger MCI WorldCom, MCI's successor Cable & Wireless, and Sprint. AT&T is now on the verge of joining the top ranks of Internet backbone providers. Combining with Bell Atlantic's concentrated urban customer base will allow GTE to become a much more potent competitor to the larger backbones and AT&T by:

- Expanding its data and Internet traffic;
- Significantly increasing the number of valuable Web sites and customers connected to its backbone network;
- Accelerating the transition of GTE's backbone to its own network and away from dependence on MCI WorldCom; and
- Making possible the rollout of new Internet products and services that will, in turn, stimulate the creation of vibrant new markets and the entry of new competitors.

In addition, with large-business customer relationships across the country, the new company will be able to market national data offerings like frame relay, ATM and VPN services that GTE alone currently lacks the national customer base to offer.

Long distance. Fourth, the merger will increase competition in the general long distance market by speeding up GTE's deployment of a new national long distance network to compete with the Big Three facilities-based providers. Construction of a national long distance network providing ubiquitous service to all markets, not just the top urban centers, requires large volumes of traffic to achieve necessary economies. Today, there is a dearth of long distance networks that

are truly national in reach: With the MCI-WorldCom merger, there are only three fully national facilities-based carriers. Although GTE hopes to migrate some of its long distance traffic onto its own planned network, known as the "Global Network Infrastructure," GTE's customer base alone will not generate sufficient long distance traffic to deploy a full-fledged national network. The ability to market to Bell Atlantic's customer base will provide the scale necessary to allow the combined company more quickly to construct and operate a national long distance network to compete against the Big Three.

Wireless and international. Finally, the merger will combine fully complementary wireless and international assets to enable the new company to offer a broader range of services more efficiently to more customers.

The synergies created by the merger will provide the resources to fund many of the competitive initiatives described above. The new company will achieve significant cost savings through combined equipment procurement, joint software development and other cost synergies. The merger will also generate enhanced revenue opportunities through the deployment of new products and services.

All in all, the combination of Bell Atlantic and GTE promises to unleash a new generation of choices for consumers throughout the telecommunications arena and to fulfill the pro-competitive vision embodied in the Telecommunications Act of 1996. Far from raising competitive problems, the merger of Bell Atlantic and GTE will be an important affirmative step in transforming into reality the promise of vigorous competition in all relevant markets for telecommunications services.

I. THE MERGER IS STRONGLY PRO-COMPETITIVE

The merger of Bell Atlantic and GTE will produce substantial pro-competitive and proconsumer benefits in a host of telecommunications markets and no harm to competition in any relevant market. The merger, therefore, satisfies the Commission's repeatedly articulated standards, focusing on markets both as they are and as they are developing.¹

The merger of Bell Atlantic and GTE is a uniquely beneficial combination of complementary assets. GTE has more significant data capability and long-distance experience than any other such large LEC, including Bell Atlantic; it has a presence across the Nation (including in major metropolitan areas served by the other Bell companies) that Bell Atlantic lacks; and Bell Atlantic has a localized presence and vital customer relationships in the very areas of concentrated population in the Northeast that GTE lacks but needs. And the two companies' wireless and international properties are broadly complementary as well. The contrast between Bell Atlantic and GTE makes their combination a distinctively powerful force for local-service and other forms of competition in the developing telecommunications marketplace.

Combining these complementary strengths will result in improved service, better use of resources, and more competitive markets. While the Commission has called for a market-by-market analysis of merger applications, see, e.g., AT&T-TCG ¶ 15, n.57, the precise boundaries of some telecommunications markets are not easily defined, in part because of rapidly changing

Bell Atlantic-NYNEX, 12 F.C.C.R. 19985, ¶¶ 7, 31, 32, 48, 157 (1997); WorldCom-MCI, CC Docket No. 97-211 (Sept. 14, 1998), ¶¶ 8-14; AT&T-TCG, CC Docket No. 98-24 (July 23, 1998), ¶¶ 11-13; British Telecom-MCI, 12 F.C.C.R. 15351, ¶¶ 2-3, 11, 41-42 (1997) ("BT/MCI II"). Given its "long history and broad experience in communications," Bell Atlantic also readily meets the "citizenship, financial, and technical qualifications to provide service consistent with the public convenience and necessity." Bell Atlantic-NYNEX ¶ 245.

conditions, such as the increasing importance of bundled offerings of previously separate services. See, e.g., WorldCom-MCI ¶ 22, n.60; Bell Atlantic-NYNEX ¶ 39. Moreover, a number of the merger's benefits that result from the combined company's increased scale and its enhanced data and other capabilities plainly will reach across a range of present and emerging markets. Nonetheless, as the attached market-by-market analysis shows, in all conceivably relevant markets, competition — and consumers — will benefit.²

A. Local Services

This merger promises what few other telecommunications providers have been able to offer: a broad-scale attack on the local markets of the other RBOCs across the country. The merger creates the real-world conditions necessary to succeed in such out-of-franchise entry that GTE already has demonstrated an interest in pursuing, and makes meaningful entry possible where the separate companies alone could not succeed.³ It therefore presents one of the most effective vehicles for achieving the local-competition goals of the Telecommunications Act of 1996.

Indeed, based on the simple economic logic of the GTE-Bell Atlantic combination, GTE's Chairman recently testified to Congress that the combined company plans to enter at least 21 markets in SBC's region (Los Angeles, San Francisco, San Diego, Dallas, Houston, Austin, and

² An event study of the stock market reaction to the news of the merger shows that investors viewed the merger not as creating or maintaining market power but, to the contrary, as creating significant new competition to AT&T, MCI WorldCom, Sprint, and SBC/Ameritech. See Declaration of Thomas Hazlett. Such concrete marketplace reactions are powerful confirmation of the likely pro-competitive effects of the transaction.

³ See, e.g., WorldCom-MCI ¶ 199 ("as a result of combining certain of the firms' complementary assets, the merged entity will be able to expand its operation and enter into new local markets more quickly than either party alone could absent the merger"); AT&T-TCG ¶¶ 2, 11, 34, 48.

San Antonio), Ameritech's region (Chicago, Cleveland, Cincinnati, Indianapolis, and Detroit),
BellSouth's region (Miami, Orlando, Jacksonville, Raleigh, Nashville, Memphis, and Louisville),
and US West's region (Seattle, Portland) within 18 months of closing.

These plans build on GTE's demonstrated interest in entering the local markets of the other RBOCs. GTE, faced with an imperative to compete given its island-like service areas in the other Bells' seas, already has established a separate corporate unit to plan for entry into territory close to its own few urban franchise areas near Los Angeles, Dallas, Tampa, and Seattle. Carrying out this commitment, it has already developed some of the experience, know-how, and systems that are necessary (but not sufficient) for such entry. In so doing, however, GTE has run into significant obstacles: (1) substantial investments are needed in largely fixed-cost operational platforms (which become more economical with larger customer bases); (2) economical local entry requires truly proximate facilities (which can be more efficiently used and economically deployed with larger volumes of business); and (3) acquiring customers is difficult without a base of anchor customers and without a robust national brand (both of which can be more economically obtained with a national presence creating scale and ties to multi-location businesses). See Declaration of Jeffrey Kissell.

The combination of GTE and Bell Atlantic substantially solves these problems and makes it possible for the CLEC objectives GTE has already adopted to be effectively pursued:

- Bell Atlantic's business customers from the Northeast provide a legion of anchor customers — through those businesses' branch offices — in many cities across the Nation, including the few urban areas near current GTE service areas and, in addition, cities currently passed by GTE's planned national long distance network, known as the Global Network Infrastructure or "GNI."
- The combined company will be better able to attract even more customers because with GTE's advanced-data expertise, long-distance experience and

national presence — it will be able to offer the very kind of attractive bundle of services, and unified single-network service, that the marketplace is demanding.

- The merged company's greater scale spreads the fixed costs of platform investments.
- The same greater scale makes possible the national advertising needed for economical development of a national brand.
- The merged company's greater scale also makes possible faster deployment of facilities including upgrading or expanding existing facilities for wireline service and the addition of touch-down points to GTE's planned long distance network in cities that otherwise simply would be passed without connection. The merger, therefore, will create a facilities presence in more areas, both those near current GTE service areas and those near the long distance network.
- On the wireless side, the greater scale creates a more attractive wireless product across many regions of the Nation, a potentially attractive part of a bundle that includes local services.

Collectively, these anchor customers, brand reputation, and facilities are the essential steps for broad-scale entry into local markets across the country. <u>See</u> Declarations of Jeffrey Kissell and Debra Covey.

The merger therefore makes possible the first real facilities-based effort to compete on a broad scale against the other RBOCs. This confirms the assessment by former FCC Chairman Reed Hundt that this merger not only "doesn't substantially change the competitive balance in the market" in a negative way but is, in fact, strongly pro-competitive:

[T]he move would mean a triumvirate of telecom giants is likely to emerge, resulting in more competition. . . . [The AT&T/TCI, Bell Atlantic/GTE, and SBC/Ameritech] mergers mean there are three entities large enough to enter local markets and compete head-on, [said Hundt]. They're beefing up like sumo wrestlers to go after each other big time.